



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN 1292 (1951)

November 7, 1985

SUBJECT: Rescheduling of Annual Production Loans

TO: All State Directors, Farmer Programs Chiefs,
District Directors and County Supervisors

Purpose/Intended Outcome

The purpose of this AN is to provide guidance for rescheduling of annual operating notes to enable a borrower to continue farming.

Comparison with Previous AN

This AN revises, updates, and replaces AN No. 1090 (1951) which expired on October 31, 1985.

Implementation

Authorities in FmHA Instruction 1951-A, Account Servicing Policies, permit the rescheduling of annual operating notes falling due January 1, 1986, by revising the 1985 plan of operation and permitting borrowers to use all or a part of the proceeds from 1985 production for 1986 operating expenses. These actions may become necessary as the only way a borrower can continue in farming when statutory loan limits are reached, loan funds are exhausted, or discontinued loan authorities prevent further FmHA credit availability. When possible, loan consolidation should be completed with rescheduling to reduce the number of notes. Rescheduling an annual operating loan note to enable a borrower to continue farming is permitted when it is determined that the borrower is unable to obtain essential credit for annual production purposes, with or without a subordination, and that such servicing action is necessary to protect the interest of the borrower and the Government. It is imperative that a complete revision of current plans, including debt repayment agreements, be made in each case to reflect use of income.

Section 1951.33(b) of FmHA Instruction 1951-A sets forth general requirements for rescheduling and provides authority for the County Supervisor to take such action. Items 3 and 4 of this part of the instruction sets forth the basic requirements. These requirements are as follows:

EXPIRATION DATE: October 31, 1986

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1951-A

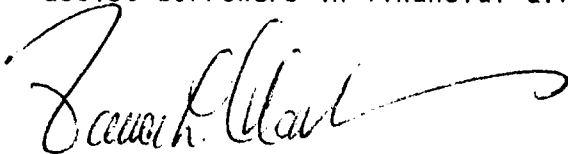


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- A. "The county supervisor determines that the borrower is making satisfactory progress or will make satisfactory progress with revised repayment terms." We interpret this to mean that FmHA must determine that we would make an annual production loan if funds or authority were available and that the borrower is unable to obtain essential funds by a subordination or other means to continue the farming operation. Also, if FmHA is unable to provide all of the credit needed, the County Supervisor must obtain written verification that adequate credit is available through vendors or other sources to assure that the borrower can produce and harvest the crop.
- B. "The borrower is cooperating in servicing the account and is maintaining the security." This implies that security must be available and when only crops are available for security, the loan should be rescheduled for only one year. In order to maintain security servicing and assure funds are used as intended, a supervised bank account must be used. Each State Director must be sure State procedure is established to assure that the FmHA lien will carry over to any new crop being produced. The 1986 plan of operations must show that all payments coming due can be paid, and Form FmHA 1962-1 must show how the crop proceeds will be used.

When loans are rescheduled for more than one year, repayment schedules should provide for at least the full amount of interest accruing on the rescheduled note to be paid annually.

County Supervisors will be expected to review all loan servicing alternatives and seek guidance from District Directors and State Farmer Program staffs in complex cases to assure these authorities are properly administered to assist farm borrowers. The servicing action, or combination of actions, selected should provide the maximum benefit to assist borrowers in financial difficulty.



VANCE L. CLARK
Administrator